

## **Illinois Small Business Job Creation Tax Credit**

The Illinois Small Business Job Creation Tax Credit is a one year credit that will help create up to 20,000 jobs.

This new law creates a \$2,500 tax credit (that can be carried forward) on withholding tax for employers with 50 or fewer total employees who hire new, full-time Illinois employees during the 12-month period beginning July 1, 2010.

95% of Illinois businesses have fewer than 50 employees.

Calculation of the net increase in the number of Illinois employees is based on the employer's number of Illinois employees as of June 30, 2010.

The credit is available to qualifying employers for each new, full-time Illinois job created and sustained for at least one year.

It will have a cap of \$50 million on the total amount of credits issued.

To qualify, a job must pay at least \$25,000 per year.

Eligible companies will apply for the credit online and ultimately will be issued a tax credit certificate.

- Application for the credit may be made as soon as a new, full-time Illinois employee is hired after July 1 and begins providing services.
- Carry forward credits will be issued for each new position, up to a maximum cumulative amount of \$50 million, on a first-come-first-served basis determined by date of application.
- The credits will be issued beginning July 1, 2011.
- The determination of whether an employer has 50 or fewer employees on June 30, 2010 will include all employees in every location, which includes both in Illinois and out of state employment totals.
- Employer subsidiaries created for purposes of benefiting from the credit will not qualify for the credit under aggregation rules; related businesses will be treated as one business for purposes of determining whether an employer has 50 or fewer employees.
- Eligibility for the credit does not require that a particular individual employee be retained for one year, only that a new, full-time Illinois job be created and sustained for one year.
- New small businesses hiring their first Illinois employee(s) may qualify for the credit.
- The credit may be claimed for an hourly employee working an average of at least 35 hours per week or for a full-time salaried employee, but not for a partner or an independent contractor.
- Tax credits granted will not change the recognition of withholding tax paid for either employer or employee.